

MSU Forestry Department
Forest Carbon and Climate Program

Forests as a Climate Solution

State Policy Tracking Initiative

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The Forest Carbon and Climate Program

Researches and syntheses complex, interdisciplinary topics to interpret the latest scientific findings in:

- Carbon storage and emissions
- Certifications
- Conservation
- Wood utilization and HWPs
- Biodiversity
- Human dimensions
- Ecosystem services

to provide educational materials for a wide range of forestry professionals



Learning materials



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Workshops



Scientific writing



Short writing pieces



Research



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Webinars



Introduction



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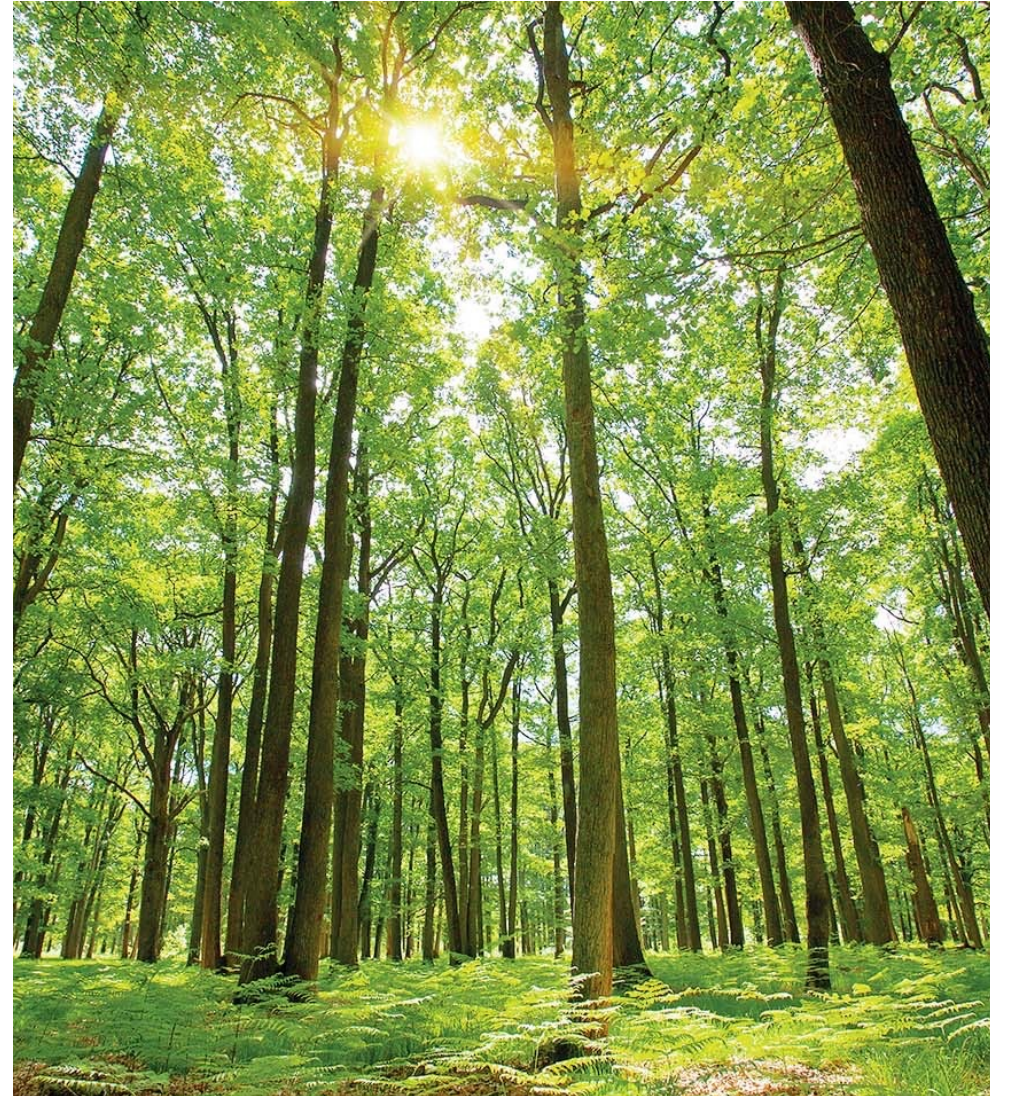
Background

- States are striving to develop policies and programs to achieve climate and energy goal
- Existing policies with carbon impacts include:
 - Emission trading systems
 - Greenhouse gas emission targets
 - Property taxes
 - Cost-share programs
 - Renewable Portfolio Standards
- Forests are becoming increasingly integral to these climate plans



Objectives

- **Collect, categorize, analyze, track, and communicate** state policies and programs
- Provide foundation for analysis of existing policies
- Peer learning between state actors
- Understand leverage points for natural and working land interventions
- Increased "climate-smart" policy dissemination and diffusion



Process and Methods



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Literature Review

- Conducted to identify existing U.S. state-level policy areas influencing forest carbon, as well as to establish categories and structure for the policy tracking process
- Sources included budgets and fact sheets from state agencies and departments, statutory texts, third-party analyses, and academic papers



A comparison of participants and non-participants of state forest property tax programs in the United States



Justin T. Meier^a, Michael A. Kilgore^{b,*}, Gregory E. Frey^b, Stephanie A. Snyder^c, Charles R. Blinn^d

^a Department of Forest Resources, University of Minnesota, St. Paul, MN 55108, United States

^b U.S. Department of Agriculture, Forest Service, Southern Research Station, Research Triangle Park, NC 27709, United States

^c U.S. Department of Agriculture, Forest Service, Northern Research Station, St. Paul, MN 55108, United States

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ABSTRACT

Information collected by the National Woodland Owner Survey, supplemented with state forest property tax program, land use, and socio-economic data, was used to develop a national characterization of participants enrolled in state forest property tax programs and their forest land. Family forest owners who owned a single parcel of forest land, were at least slightly familiar with their state's property tax program, and whose forest land qualified to participate in their state's program were included in the analysis. Landowner and parcel characteristics were organized into eight categories hypothesized to distinguish participants and non-participants. The analysis found that enrolled lands are larger, more likely found in predominantly forested landscapes, more actively managed, and less likely used for hunting than non-enrolled forest land. While enrollment in a state forest property tax program is positively associated with higher population density, no correlation was found between enrollment tendency and land development pressure, as defined in this analysis. The owners of enrolled forest lands generally report higher household incomes than their non-enrolled counterparts. However, owners whose forest land is enrolled in a forest property tax program do not express greater concern about the level of property tax levied on their forest land, and are no less likely to divest their land than non-enrollees. The information generated from this study may help state forest property tax program administrators and public policy makers improve the ability of these programs to achieve their intended objectives, such as incentivizing the production of timber, other ecosystem goods and services, and forest land protection, through more effective marketing and targeting efforts.

1. Introduction

The majority (58%) of the 330.2 million ha (816 million acres) of forest land in the United States (U.S.) is privately owned (Butler et al., 2016b). Of the private forest owners, 93% are family forest owners (FFO), defined as families, individuals, trusts, estates, and family partnerships. Collectively these owners, estimated at 10.7 million, control 117.4 million ha (290 million acres) or 36% of America's forest land (Butler et al., 2016b). They provide numerous forest-based goods and services such as timber, wildlife habitat, recreational opportunities, water regulation, and aesthetics (Butler et al., 2016c).

A broad suite of policy tools have been used to encourage FFO to implement good stewardship and land management practices (e.g., Greene et al., 2005), discourage forest land fragmentation and parcelization (e.g., York and Munroe, 2010), and encourage landowners to make long-term investments in their forest land (e.g., Cushing, 2006;

D'Amato et al., 2010). These tools include technical assistance, information, educational programs, financial incentives, regulations, and tax policy (Kilgore and Blinn, 2004; Greene et al., 2005; Butler et al., 2012). Of particular prominence and importance in the U.S. are financial incentives offered to forest landowners through property tax policy (Greene et al., 2005).

Property tax policies have been developed over 150 years to encourage good forest stewardship and the production of forest-based goods and services (Fairchild, 1935; Jacobson and McDill, 2003; Fortney and Arano, 2010). Forest property tax programs exist in every state, are administered by state and/or local governments, and were initially used to encourage long-term investments in timber production and reduce the need for private forest landowners to forfeit or develop land because of high tax bills (Jacobson and McDill, 2003; Fortney and Arano, 2010). More recently, their focus has broadened to emphasize the production of a wide range of ecosystem goods and services,

* Corresponding author.
E-mail address: mkilgore@umn.edu (M.A. Kilgore).

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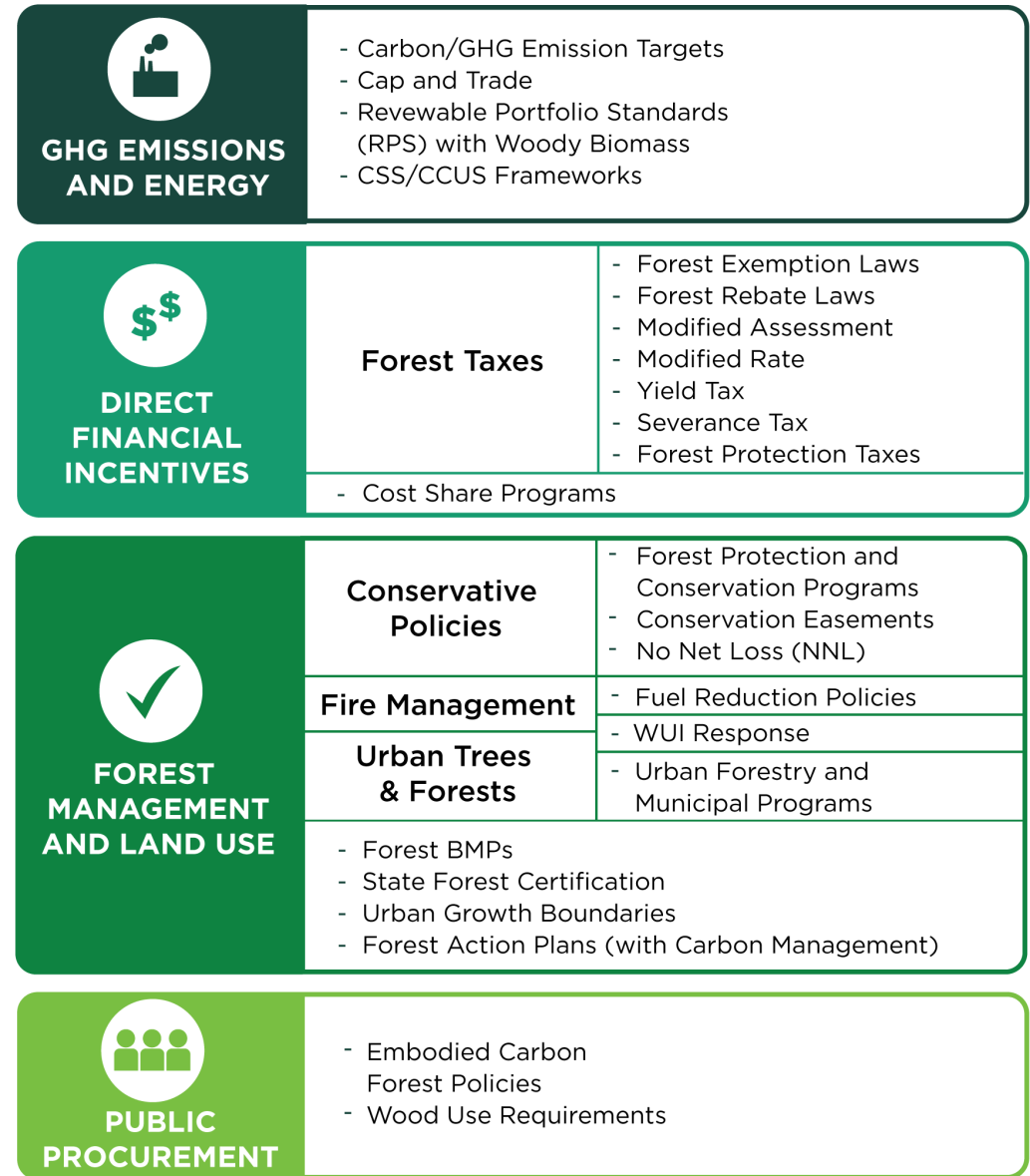
Expert Interviews

- Interviews assisted in determining policy and program types for inclusion (e.g., those which may be indirectly, and so less obviously, linked to forest carbon)
- Identifying thematic distinctions of greatest relevance within which policies and programs will be categorized



Policy Framework

- Theoretical framework for cataloguing and categorizing policies
- Four key policy areas identified
 - GHG Emissions and Energy
 - Direct Financial Incentives
 - Forest Management and Land Use
 - Public Procurement



Database

- Each column represents a coding dimension for the policy (e.g., forest exemption laws)
- Each row pertains to a different state (e.g., Alaska)

State	Property Exempt	Land Eligibility	Acres	Management Requirements	Enrollment
Alaska	Timber, land, and materials laid down by natural processes	Private land with scenic conservation or public recreation use easement	N/A	N/A	N/A
Delaware	Commercial forest plantations, land planted as a nursery, orchard, or for ornamental purposes	Commercial forest plantations	≥10	Forest Management Plan required	30 years
Georgia	Commercial forest plantations, land planted as a nursery, orchard, or for ornamental purposes	Land used for commercial production of trees, timber, or other wood and wood fiber products	≥200 in two counties ≥100 in one county	Property may have secondary uses such as promotion, preservation, or management of wildlife habitat	10 years
Hawaii	Land classified as tree farms	Tree farm development property in an agricultural district or conservation district zoned for commercial forest use	≥10	Tree farm management plan for the tree farm, the planting and harvesting schedules, and estimates of value at harvest	6-25 years
Iowa	Forest and fruit trees	Forest reservations and fruit tree reservations	≥2 (forest) 1-10 (fruit tree)	Erosion control, watershed protection, game cover while continuing to produce for income	Indefinite
Michigan	Qualified forest property	Land designated as qualified forest property	≥20	Forest Management Plan required (shall include a schedule and timetables for the various silvicultural practices used on forestlands)	N/A
Mississippi	All growing, standing timber, trees and shrubs in unmanufactured condition	N/A	N/A	N/A	N/A



Deliverables



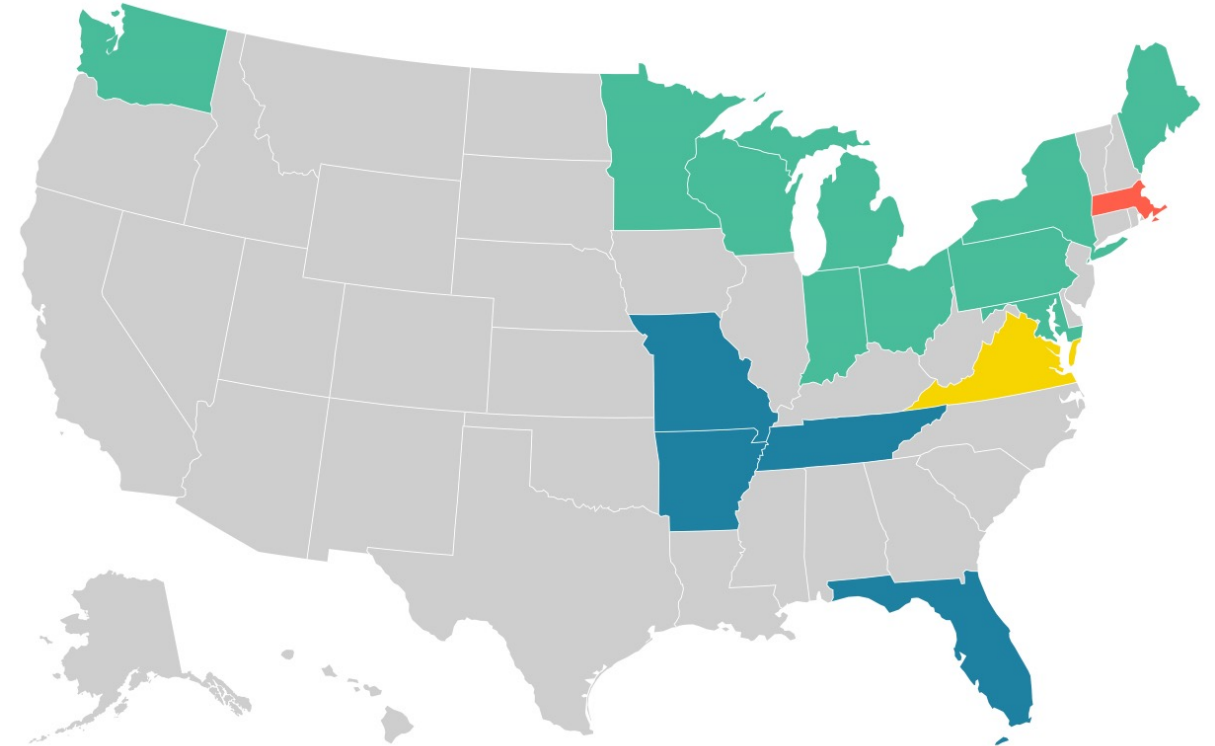
Website & Maps

- Website with interactive, dynamic map detailing policies across states
- Links to FCCCP written pieces, primary sources, etc.

State Forest Certification

Certifying Organization(s)

■ N/A ■ SFI, ATFS ■ SFI ■ FSC, SFI ■ FSC



White Papers

- Detailing wider thematic areas as well as specific policies
 - Contextualizing important functional mechanisms, policy variations
 - State themes and approaches
 - Implications for forest carbon, land management

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State-Level Forest Tax Programs

Graham Diedrich, Michigan State University Forest Carbon and Climate Program


Table of Contents

Introduction	1
Property Taxes	2
Taxable Property	2
Land Ownership and Usage	3
Assessed Value	3
Types of Property Taxes	3
Preferential Forest Property Taxes	4
Forest Exemption	5
Forest Rebate	5
Modified Assessment	6
Modified Rate	6
Yield Tax	7
Severance Taxes	7
Policy Implications	7
Land Use Changes	7
Management Strategies	8
Carbon Sequestration	9
Conclusion	9
References	9

Introduction

Forest tax programs offer landowners an option to reduce, modify, or eliminate their property tax liability through preferential tax treatment. Preferential property taxes are designed to promote the preservation of an existing land use (e.g., forest land, recreational land, open space, agricultural land) by encouraging landowners to retain their land in its current form.¹

All fifty states have a preferential property tax treatment impacting forest land use. Some state-level programs have management requirements that must be met in order to apply for preferential treatment, such as the establishment of a

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forest management plan. Indeed, a key goal of favorable tax treatment for forests is to ensure that forests remain forests. By giving this prioritization to forestland and open space land, policymakers seek to counteract or minimize economic pressures for forest conversion as well as (in some cases) motivate sustainable management practices. This makes forest tax programs relevant in preserving forest land, pursuing sustainable management practices, and supporting forest carbon sequestration efforts.

This paper begins by providing a basic understanding of property taxes, establishing the four categories of ad valorem, flat, yield, and severance taxes. In subsequent sections, the six preferential forest property tax types are discussed. Finally, the paper outlines the potential policy implications of these tax programs, ranging from land use changes to carbon sequestration.

Property Taxes

Simply understood, property taxes are taxes on property. However, complexities start to arise when considering what qualifies as taxable property, how is value assessed, and the arrangement of land ownership and usage. This section considers what makes property subject to taxation and how value is assessed, in addition to presenting the four main types of property taxes.


Figure 1. Taxable Property

What is Taxable Property?	
Real Property	Personal Property
Buildings, canals, crops, fences, land, landscaping, permanent machinery, minerals, ponds, railroad tracks, and roads	Tangible Personal Property Clothing, vehicles, jewelry, and non-permanent machinery
	Intangible Personal Property Copyrights, patents, intellectual property, and investments

Taxable Property

Property is subject to taxation if it qualifies as one of two types of property: real and personal.² Real property consists of parcels of land, buildings associated with the land, and any permanent improvements (e.g., standing timber). Personal property is characterized as any property that does not meet the requirements of real property, such as non-permanent farming equipment.

Personal property is further broken down into tangible personal property (personal property perceptible to the senses) and intangible personal property (an asset that has value but isn't physical in nature). Figure 1 provides examples for each variation of taxable property.

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Policy Example



Forest Tax Programs

- Six preferential forest tax systems
 - Exemptions, Rebate, Modified Assessment, Modified Rate, Yield Tax, Severance Tax
- Policy goal is to promote the sustainability of private forests by limiting and abating property tax liabilities

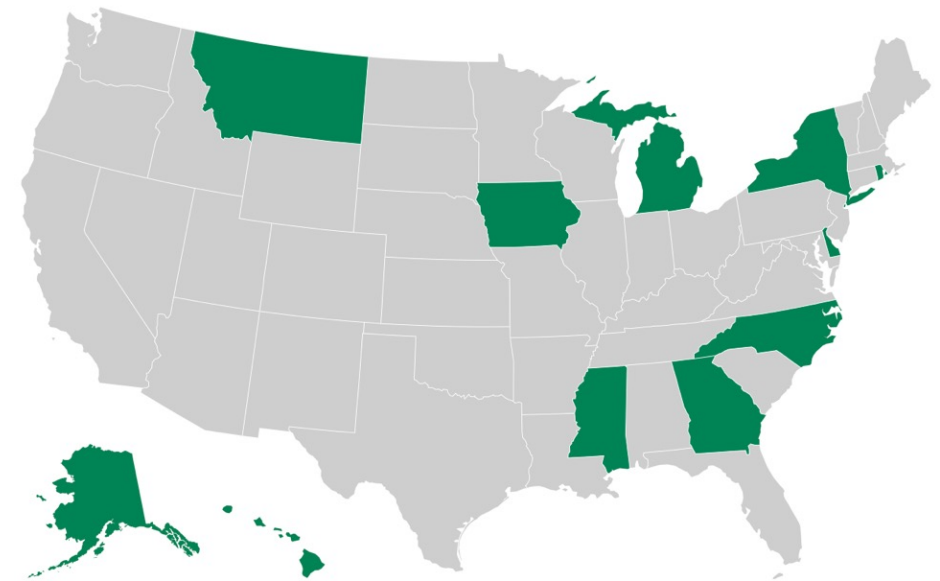
State	Exemption	Rebate	Modified Assessment	Modified Rate	Yield Tax	Severance Tax
Alabama			X			X
Alaska	X					
Arizona			X			
Arkansas			X			X
California			X		X	
Colorado			X			
Connecticut			X		X	
Delaware	X		X			
Florida			X			
Georgia	X		X		X	
Hawaii	X		X			
Idaho			X		X	
Illinois			X		X	
Indiana			X			
Iowa	X		X			
Kansas			X			
Kentucky			X			
Louisiana			X			X
Maine			X			
Maryland			X			
Massachusetts			X			
Michigan	X			X		
Minnesota		X	X	X		
Mississippi	X		X			X
Missouri				X		
Montana	X		X			
Nebraska			X			
Nevada			X			
New Hampshire			X		X	
New Jersey			X			
New Mexico			X			X
New York	X				X	
North Carolina	X		X			X
North Dakota				X		
Ohio			X	X		
Oklahoma			X			
Oregon		X	X			X
Pennsylvania			X			
Rhode Island	X		X			
South Carolina			X			X
South Dakota			X			
Tennessee			X			
Texas			X			
Utah			X			
Vermont			X			
Virginia		X	X			X
Washington			X	X	X	
West Virginia			X			
Wisconsin				X		
Wyoming			X			
Totals:	11	3	44	7	8	9



Example: Forest Exemption Laws

- Exemptions granted to preserve scenic, conservation, public recreational spaces, commercial forest plantations
- Some states require forest management plans to apply for tax abatement (e.g., Michigan, Delaware)
- States can exempt forest land and/or timber
 - Michigan exempts forest land and timber, while North Carolina only exempts standing timber and other forest growth

Forest Exemption Laws in the United States, 2022





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forestc@msu.edu



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